

# Knoxville Utilities Board (KUB) Round It Up Program White Paper

## Background

KUB began to study the feasibility of a Round It Up program in June 2013 in response to a recommendation in the IBM Smarter Cities Challenge Report to the City of Knoxville. The report noted the need in the Knoxville area for a program that focused on weatherizing the houses of low-income homeowners and renters, and educating these individuals on the efficient use of energy. The IBM report noted that over \$4.8 million is spent annually for emergency energy assistance to low income residents in this area, many of whom live in older homes that are not energy efficient. Weatherization and education were seen as solutions to this root problem, with the goal of decreasing the number of repeat recipients of this emergency funding. It was also noted that as the utility bills for lower income residents were decreased, they would have more discretionary income at their disposal, which could have a positive local economic impact.

KUB customers were identified as a potential source of funding for this effort through a program in which monthly utility bills could be rounded up to the next whole dollar. The IBM report estimated that if only half of KUB's customers participated in this program, approximately \$600,000 could be raised annually to support this weatherization / education initiative. At an average weatherization cost of \$4,000 per home, this money could result in 150 homes per year that will be much more energy efficient and far less likely to require emergency energy assistance in the future.

KUB created a team to study the various aspects of a Round It Up program, and to determine the elements involved in implementing such a program. These elements include the following, and each is discussed in more detail later on in this paper:

- Technical issues (billing and other information system requirements)
- Program administration
- Customer input
- Comprehensive communication strategy before, during, and after implementation
- Support from and coordination with the City of Knoxville's efforts

By benchmarking other utilities that had initiated similar programs, KUB learned that there was a much greater participation rate by employing an "opt-out" strategy. In this approach, the bills are rounded up for all customers when the program is launched. This occurs only after an extensive communication plan to notify customers about the program and when it is to be implemented. Customers who elect not to participate in the program may then opt out at any time, and may request a full refund on the rounded up amount if they opt out during the first year of the program. After the inevitable attrition of some customers, participation rates leveled off at anywhere from 50%-85% for those utilities we surveyed. The downside to the opt-out approach is that there is usually a negative response from customers who failed to understand in advance that their bills would be rounded up when the program was initiated. Benchmarked utilities employing an opt-out approach included Middle Tennessee Electric Membership Cooperative, Volunteer Electric Cooperative, Humboldt Utilities Board, Cleveland Utilities, Jackson Energy Authority, and Morristown Utility System.

In contrast, some other utility round up programs use the "opt-in" approach, in which customers must actively sign up to participate in the program. Participation rates for these utilities are much lower, ranging anywhere from 1.5% to 5%. However, there is a much lower risk of a negative customer response to the program. Benchmarked utilities that use an opt-in strategy included Huntsville Utilities, Memphis Light, Gas, and Water (MLGW), the City of Franklin, and Fort Loudoun Electric Cooperative.

KUB's corporate counsel researched Tennessee state law and confirmed that state statutes allow for voluntary charitable contributions to be made through a utility, and that utility bill round up programs are also allowable. They further observed that current state statutes are silent regarding opt-out versus opt-in approaches for municipalities.

Due to the significant difference in the participation rates, the amount of money that could be generated, and the number of Tennessee utilities that had successfully implemented the opt-out approach, KUB decided early in the

process to focus on the opt-out strategy. It was recognized that the success of this approach is dependent on an effective, proactive communication plan, so steps were taken to get as much customer information as possible in advance of any public announcements about the program.

## **Technical Issues**

KUB began working early to explore the changes in computer system programming that Round It Up would require. This ranged from bill calculation and presentment to the various methods by which customers could elect to quickly and easily opt out of the program.

Calculations were revised and tested to round monthly KUB bills up to the next whole dollar, and to designate on a separate line item the amount that was added to the bill. In KUB's test environment, Round It Up information was inserted into the appropriate areas of the Interactive Voice Response (IVR) system, website, call center phone scripts, mobile applications, and on the bill itself. A key component of a successful opt-out program is making it quick and easy for customers to opt out of the program if they so desire, and KUB provides several ways that customers can do that: via phone, website, mobile application, branch office visit, or by checking a box on the back of their paper bill.

Based on customer focus groups, we also learned that customers wanted to be able to opt out of the program before it was implemented. KUB's Information Services area provided this capability so that customers had the ability to opt out of participating in Round It Up as early as November 2014, well in advance of the actual program implementation. Prior to its launch on May 1, 2015, over 16,500 customers had been opted out of the Round It Up program.

## **Program Administration**

Since it would require a great deal of time, money, and effort to create a weatherization program from scratch, KUB saw value in limiting its role to raising funds for the weatherization and education effort as opposed to actually administering such a program. In researching possible third party administrators for the weatherization program, KUB became aware that the Knoxville-Knox County Community Action Committee (CAC) currently provides a service that is consistent with the needs recognized in the IBM Report. CAC's Housing and Energy Services Section offers a Weatherization Assistance Program (WAP) that provides weatherization to low-income homeowners and renters (with the approval of their landlord).

Among the features of CAC's program are the following:

- A full energy audit of each applicant's home is performed
- Data analysis of the field audit is conducted to determine energy efficiency
- Cost benefit analysis is calculated for each project
- Projects with the highest savings ratio are bid through Knox County Procurement to a group of qualified contractors
- The winning contractor performs necessary repairs up to \$6500 and submits an invoice to CAC
- CAC performs a post-repair audit before paying the contractor

CAC received \$6.1 million dollars in American Resource and Recovery Act (stimulus) funds to provide weatherization to over 1,500 homes in this area. Since federal funding for the program had dried up, they had funding sources of only about \$300,000 per year prior to the launch of Round It Up, and a backlog of over 300 homes on a waiting list. CAC could easily handle a larger volume of weatherization projects if funding was available. In our discussions with CAC, they were very interested in partnering with KUB in this effort. CAC also has the ability to provide this service in all of the counties served by KUB.

In early November of 2014, KUB signed a memorandum of understanding (MOU) with CAC to administer a weatherization program funded by contributions obtained from KUB's Round It Up program. This MOU was contingent on the approval of both the CAC Board and the KUB Board, which was granted later that month.

## **Customer Input**

In an effort to better understand customer perceptions of the program, KUB sought input from a combination of internal surveys and external focus groups. Through these efforts, we learned that:

- Customers like the idea of establishing a program to meet the needs of this population
- Although they like the program, they have some discomfort with the opt-out model
- Even considering this discomfort, most participants report they would still participate if the opt-out model was used (ie, they would not exercise their opt-out choice)
- Some of their concerns can be mitigated by a robust communications plan in advance of implementation and easy-to-access tools for opting out in advance of implementation

The result of this customer input validated the information received from other utilities about the potential for negative feedback if an opt-out approach was used. It also indicated that participation rates of over 50% can be achieved with this approach, and that some of the negative feedback can be mitigated by clear communications before, during, and after launch.

In addition to having the ability to opt out of the program with a full refund after the program is launched, customers also had the opportunity to opt out of the program before it even began. As early as November 20, 2014, customers could elect to opt out immediately via calls to customer representatives, visits to branch offices, or via the KUB website. KUB also heavily communicated to our customers a formal “Opt-out Period” that occurred from January – April 2015. In addition to the methods above, customers were also able to opt out via the IVR line and on the backs of KUB bills.

## **Comprehensive Communication Strategy**

Because of these challenging issues, KUB was aware of the importance of a well-crafted communication strategy before, during, and after the launch of a Round It Up program. To that end, we worked with a communications consultant on a comprehensive plan.

A well-attended media event to announce the Round It Up program was held at CAC’s offices on Western Avenue on November 25, 2014. Speakers included the City Mayor, KUB Board Chair, KUB President and CEO, CAC Executive Director, and a past recipient of CAC’s Weatherization Assistance Program. All three local TV news stations covered the event, as well as the local paper and radio stations.

In addition to the initial media blitz, information about the RIU program (and how to opt out if customers did not want to participate) appeared continuously in the months leading up to the launch of the program. This included KUB’s monthly bill messages from January through April of 2015, on KUB’s bimonthly customer newsletter in February and March, and in a prominent location on KUB’s website on a daily basis. KUB also placed a prominent advertisement in the local paper, and had Round It Up program posters on display in all KUB payment centers.

KUB emphasized in all of its communications that Round It Up was a voluntary program and that customers could opt out at any time, either before or after the program began. Our communications also included all the easy ways that customers could opt out. The effectiveness of communicating the fact that this is a voluntary program has been proven by the number of customers who have been opted out of the program. As of the end of October 2016 KUB has opted out 76,627.

Conversely, the communications about the benefits of low income home weatherization has also been heard. As of the end of October 2016, 64% of KUB’s customers are participating in the Round It Up program. Just under \$1.2 million in KUB customer contributions have been sent to CAC since the program began in May 2015.

## **Key Milestone Dates of KUB's Round It Up Program**

November 20, 2014: Official Board approval received through resolution to move forward with a 3-year pilot Round It Up program.

November 25, 2014: Media event with KUB, CAC, the City of Knoxville, and Knox County to formally announce the Round It Up program.

November 2014–April 2015: Customer communication plan implementation.

- Media advisory: November 21, 2014
- Media event and news release: November 25, 2014
- KUB bill message: January through May, 2015
- Go Green ad in the News Sentinel: January 11, 2015
- KUB Connection customer newsletter: Jan/Feb 2015
- KUB Connection customer newsletter: Mar/Apr 2015
- KUB Green ad in the Business Journal and News Sentinel: March 2015
- KUB Green handout at community events: March and April 2015
- Round It Up program poster in KUB payment centers: April 2015
- Round It Up information in new customer packet: May 2015
- KUB Connection customer newsletter and bill insert: May/Jun 2015
- KUB website: November 2014 - Current

January–April 2015: Formal “Opt-out Period” for customers who do not want to participate in the Round It Up program.

May 2015: Round It Up amounts appear on customer bills. Refunds on request begin for customers who elect to opt out of the Round It Up program.